IDAHO OUTLOOK

NEWS OF IDAHO'S ECONOMY AND BUDGET

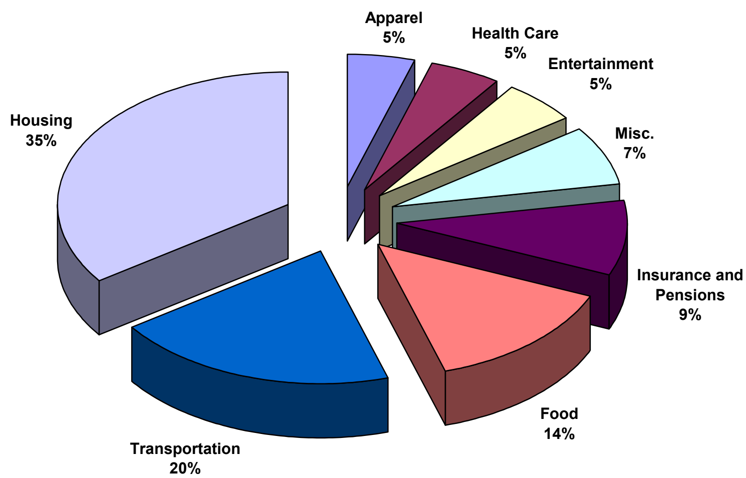
STATE OF IDAHO DIVISION OF FINANCIAL MANAGEMENT SEPTEMBER 2002 VOLUME XXIV NO. 03

The consumer has always been king in the U.S. because he usually accounts for two-thirds of the nation's economic activity. But lately the consumer has been transformed from benevolent monarch to warrior/ruler. While other sectors have retreated, the consumer sector has led the charge to keep the economy afloat. Thanks to the consumer sector's heroics, spending has grown faster than GDP since 1998. As a result, consumer spending is expected to claim a 69.8% share of total GDP this year. This well-timed (and welcomed) change has made the consumer sector even more important.

Consumers' recent laurels have been well chronicled by the U.S. Bureau of Economic Analysis. Its estimates of total consumers spending and its various components are designed for gauging the economy's health. However useful these data are, they provide little information on spending by households. For example, in 2001, real consumer spending on durable goods increased twice as fast as spending on non-durable goods. But provides limited detail on what types of non-durable items were purchased Put another way, we have good data on the kingdom, but little information about the villagers.

Fortunately, the U.S. Department of Labor conducts an annual consumer expenditure survey that provides detailed insights about how American households spend their income. For example, the most current survey reports that in 2000, the average household spent $5,158 on food. Of this total, $3,021 was for food that was consumed at home. It breaks this total down further into $453 for cereals and bakery products; $795 for meats; $325 for dairy items; $521 for fruits and vegetables; and $927 for other food products. The data are also broken out by different categories, such as regions. We will use this data to review consumer spending in the West and how they compare to the nation.

Consumer Expenditures in the West



As the accompanying pie chart shows, housing costs account for over a third (35%) of the average western household's expenditures. The next largest expenditure share is for transportation, which accounts for 20% of spending. Food spending is 14% of the total. Together these three items account for 69 cents of every dollar spent. Smaller categories include insurance and pensions and miscellaneous items that together claim a 16% share of spending. Finally, apparel, health care, and entertainment each contribute 5% to the average western household's annual spending.

A comparison between western and national spending reveals more similarities than differences. In fact, only three of the eight spending category's shares are different, and these differences are minor. Specifically, health care is 5% of the spending in the West versus 6% nationally. Perhaps this reflects the relative youth of the western population. There was also a one-percentage point difference between miscellaneous spending, 7% in the West and 8% nationally. The biggest difference between western and national spending was in housing. Housing costs ate up 35% of the average western household budget in 2000 compared to 33% for its national counterpart. One of the reasons for this is the so-called "California Effect." Since one out of every eight Americans live in the Golden State, its huge population dominates the western region's numbers. California also has relatively high housing costs. This combination pushes up the average western housing costs. All other measures of western spending were spot on with their national counterparts.

This article provides an introduction to the virtual treasury of consumer spending information that is available. Readers who are interested in learning more about the largest single sector of our economy are encouraged to visit the U.S. Department of Labor's website at www.bls.gov/news.release/cesan.nr0.htm

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General Fund Update

As of August 31, 2002

Revenue Source	FY03 Executive Estimate[3] ($ Millions)	DFM Predicted to Date ($ Millions)	Actual Accrued to Date ($ Millions)
Individual Income tax	890.9	126.9	128.0
Corporate Income tax	81.8	5.7	5.9
Sales Tax	673.2	117.2	124.0
Product Taxes[1]	21.6	3.8	3.8
Miscellaneous	99.9	12.3	12.3
TOTAL GENERAL FUND[2]	**1,767.4**	**265.9**	**274.0**

1 Product Taxes include beer, wine, liquor, tobacco and cigarette taxes
2 May not total due to rounding
3 Revised Estimate as of August 2002

General Fund revenue was $6.7 million higher than expected in August, bringing the Fiscal Year 2003 excess to $8.1 million. The August revenue results were particularly pleasing since individual income tax, corporate income tax, and sales tax were all above their respective targets for the month. Each of these categories are now ahead of expectations on a year-to-date basis. Product and miscellaneous revenues are both exactly on target.

Individual income tax revenue was $2.6 million higher than expected in August. On the collection side, filing payments were $0.2 million higher than predicted and withholding collections were $2.5 million higher than predicted. On the payout side, refunds were $0.4 million higher than expected and miscellaneous diversions were $0.3 million lower than expected. On a year-to-date basis the individual income tax is $1.1 million (0.9%) higher than predicted.

Corporate income tax revenue was $0.5 million higher than expected in August. Filing payments were $2.0 million higher than predicted for the month, while quarterly estimated payments were $1.9 million lower than predicted. Refund payments were $0.4 million lower than expected for the month. On a year-to-date basis the corporate income tax is $0.2 million (3.5%) higher than predicted.

Sales tax revenue was $3.6 million higher than expected in August. This follows on July's excess of $3.2 million, and brings the fiscal year-to-date revenue from the sales tax to a level that is $6.8 million (5.8%) higher than expected. Sales tax now accounts for $6.8 million of the $8.1 million fiscal year to date excess. Both July and August saw exceptional year-over-year growth rates in this category (5.0% and 7.5%, respectively.) This strong growth is most likely the result of exceptionally low mortgage interest rates and continued aggressive auto financing incentives. Given recent evidence of weakening consumer sentiment and widely publicized expectations for weak sales in the upcoming holiday season, the current sales tax revenue excess should not be extrapolated to the remainder of the fiscal year.

Product tax revenues were $0.1 million higher than expected in August and miscellaneous revenues were $0.1 million lower than expected in August. Both categories are now exactly on target on a year-to-date basis.